Prince Edward Island Energy Corporation

Annual Report 1989-1990

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PRINCE EDWARD ISLAND ENERGY CORPORATION ANNUAL REPORT 1989 - 1990

BOARD OF DIRECTORS

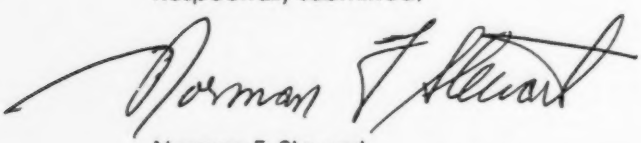
Mr. Norman F. Stewart, Chairman
Mr. Frank Moran, Vice Chairman
Mr. Robert Foster, Secretary-Treasurer
Mrs. Mary Jane Cassidy
Mr. Charles Campbell
Mr. Bruce Lewis
Mr. David Mabon

The Honourable Barry Hicken
Minister, Department of Energy & Forestry
P.O.Box 2000
Charlottetown, P.E.I.
CIA 7N8

Dear Mr. Minister:

I have the honour to present to you the attached annual report of the Prince Edward Island Energy Corporation for the year ending March 31, 1990. This report has been prepared and is submitted in accordance with the Energy Corporation Act, Section 10 (1).

Respectfully submitted,



Norman F. Stewart
Chairman of the Board of Directors

1.0 INTRODUCTION

This is the 11th Annual Report of the P.E.I. Energy Corporation and covers the period April 1, 1989 to March 31, 1990. The Energy Corporation was established by the Energy Corporation Act which was proclaimed on December 9, 1978.
The objectives of the Energy Corporation are to develop and promote energy systems on an economic and efficient basis and to coordinate all government programs in the establishment and application of energy systems in the Province.

The Corporation operates within the general framework of provincial energy policy which is the responsibility of the Minister of Energy and Forestry.

2.0 BOARD OF DIRECTORS

The members of the Board of Directors and their terms of office as of March 31, 1990 were as follows:
Norman F. Stewart, Chairman, March 27, 1990-March 27,1993
Frank Moran, Vice-Chairman, March 26, 1987-March 26, 1990
Robert Foster, Sec'y-Treas., August 3, 1989 - August 3, 1992
Mary Jane Cassidy, December 10, 1987-December 10, 1990
Bruce Lewis, December 10,1987-December 10, 1990
Doug Cameron, October 21, 1989 - January 4, 1990
David Mabon, August 3, 1989 - August 3, 1992
Charles Campbell, January 11, 1990 - January 11, 1993

During the year Charles Campbell replaced Doug Cameron as Deputy Minister of Energy and Forestry and as a Board Member.

3.0 STAFF

R.J. Brandon is the General Manager and Dr. John te Raa is the Operations Manager of the Corporation. Marg Hughes, the Corporation's administrative assistant since the inception of the organization retired on January 26, 1990. Her position was taken by Karen Hill. Joan Robinson continued to carry out the bookkeeping activities of the Corporation working four (4) days per week. John Davey continued as the Corporation's Maintenance Technician.

4.0 SUMMARY OF ACTIVITIES

During the year the Corporation consolidated its district heating projects. An expansion of the downtown project enabled district heat to be supplied to the new Royal Trust Tower and to Confederation Court Mall. This project also saw the connection of additional boiler capacity at the MacMillan Building on Haviland Street. The University district heating system had its first full year of operation and

no major problems were encountered, although low oil prices remain a concern. The Federal Government also requested the Corporation to consider taking over the management of the Atlantic Wind Test Site at North Cape. Two major reports were completed for the International Energy Agency on district heating related topics. The Corporation's experience in this area continue to be of interest to other organizations in Canada. A total of 20,700 tonnes of wood fuel is estimated to have been used in provincial institutions during the year. The Corporation continues to maintain an active role as a wood fuel broker and promoter of wood chip fuel use.

4.1 ENERGY FROM WASTE PLANT

The Energy from Waste Plant consumed 31,000 metric tonnes of municipal waste in 1989-90 and sold 37.4 million kg of steam to the Queen Elizabeth Hospital (QEH). The steam is estimated to have displaced about 3.2 million litres of light fuel oil worth $614,000. The plant has a back pressure steam turbine which produced 597 MWh or about 38% of the plant's power use. The Plant has been in operation since March, 1983. In the 7 years, all available refuse totalling over 200,000 tonnes has been processed for the Greater Charlottetown community resulting in steam sales of over 230 million kg. Oil saving during the period has totalled approximately 20 million litres of light fuel oil.

During the year the plant produced 13.9 million kg of excess steam, worth about $ 230,000. As a way of using this waste steam, a boiler warmup system was installed at the QEH to reduce the amount of oil used to keep these boilers on hot standby. A study was carried out by AF-Energikonsult and Tricil to determine the potential excess energy available from the plant and the feasibility of piping this energy to the University district heating system. Work also commenced to determine the feasibility of introducing a tipping fee that could be used in the overall management of the Provincial waste disposal system, which includes the Energy from Waste Plant.

To assist in coordinating the operation of the Plant with the Provincial Waste Management System, Gerry Stewart from the Department of Environment was invited in July to join the Operating Committee, a P.E.I. Energy Corporation Board sub-committee set up to manage the EFW Plant.

During the year Tricil Ltd. was taken over by Laidlaw Inc. Discussions were started with Laidlaw on the existing management contract which was to expire on March 31, 1990. At the end of the year it appeared that a suitable contract would be agreed.

During the period May 27-June 2nd the plant was shut down for

major maintenance. The tipping floor was completely resurfaced and a second loader was purchased replacing the original front end loader. The total cost for these major maintenance activities was $231,155.

4.2 DOWNTOWN DISTRICT HEATING SYSTEM

This district heating system is based on the 1.8 MW wood boiler located at the Prince Edward Home. A hot water distribution system serves the Provincial Administration Complex and thirteen downtown buildings. The P.E.I. Housing Corporation and the developers of the new Royal Trust Tower both approached the Corporation to have their new buildings connected to the district heating system. The Corporation developed an extension that saw the construction of a 150 mm (dia) line along Rochford Street to the MacMillan Building, the Old Charlottetown Hospital that has significant surplus boiler capacity. Connecting this additional boiler capacity allowed the pipeline system to be extended along Kent Street to the intersection of Kent and University Avenue. Four additional substations were installed to serve the majority of heat load along Kent Street, including the Confederation Court Mall. Steen Contractors were low bidders for both the pipe and the heat exchanger installations. Work started in June with the shutdown of the system for five hours to allow for installation of isolation valves. For the extension along Kent Street a cost sharing agreement was arranged

FIGURE 1

Heat for the new Royal Trust Tower is supplied from the Corporations District Heat System.

with Maritime Electric to install lighting and power cables in the district heating trench. The major substation at the Confederation Court Mall was commissioned in December. On February 12th the Federal Minister of Energy,Mines and Resources, the Hon. Jake Epp and the Minister responsible for the Energy Corporation, the Hon. Barry Hicken opened the extension to the downtown system.

The performance statistics of the new system are shown in Table 1 and the new line layout is shown in Figure 2.

TABLE 1
PILOT DISTRICT HEATING PROJECT
OPERATING STATISTICS

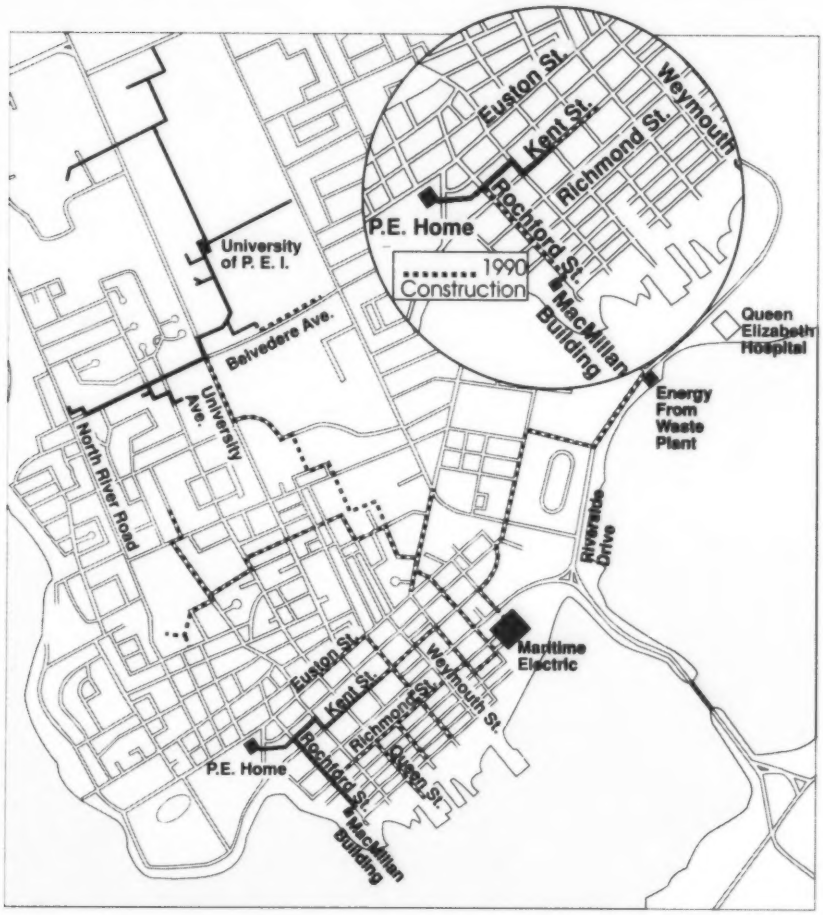
	Oct. 86 Mar. 87	Apr. 87 Mar. 88	Apr. 88 Mar. 89	Apr. 89 Mar. 90
Total Boiler Output (MWh_t)	10,068	13,694	16,836	16,690
Wood Fuel Used (tonnes)	2,542	4,702	4,263	3,750
Oil Fuel Used (liters)	592,580	824,216	1,047,409	1,165,590
The heat was distributed as follows:				
Prince Edward Home and Provincial Administration Buildings	72%	67.3%	72.9%	59.0%
Pilot District Heating Buildings	25%	28.7%	24.1%	33.1%
Pipe Losses	3%	4.0%	3.0%	7.9%

The higher losses are associated with the start up of the new extension project.

The Royal Trust Tower is shown in Figure 1 and the corporation's technician is shown in Figure 3 reading heat meters in one of the new substations.

FIGURE 2

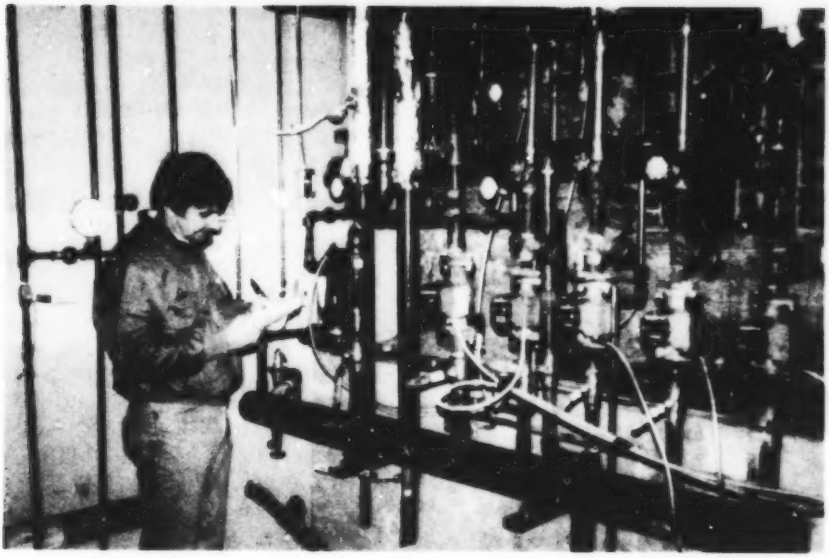
Charlottetown Area District Heating System



Existing System

Proposed Main Pipe System

FIGURE 3



John Davey, the Corporation's Maintenance Technician reading heat meters

4.3 UNIVERSITY DISTRICT HEATING SYSTEM

This system is now complete and has been operating through a full winter. During the year the new University Field House and the Food Technology Centre were added to the system. A trial of an alternative pipe supplier, Powerpipe, during the construction of the Food Tech Project, did not prove successful when the company could not meet the material code requirements needed. This extension line was therefore built using IC Moller pipe. A Finnish substation was used on a demonstration basis in a new fourplex being built by the P.E.I. Housing Corporation on Belvedere Avenue.

Overall energy use of the private sector district heat customers has been found to be close to the estimates prior to construction with a system peak demand of 13.3 MW. It has been found however, that the Atlantic Veterinary College uses more steam heat than anticipated although conservation measures in the last year have reduced demand. The energy savings resulting from the conversion of the University steam system to a hot water system has been higher than estimated at over $90,000 per year. Lower than anticipated oil prices however are of concern since revenues from private sector customers are linked to light oil prices. Yearly operating statistics are shown in Table 2.

TABLE 2
U.P.E.I. DISTRICT HEATING PROJECT
OPERATING STATISTICS

	Plant Production (MWh,)	Oil .Use (Litres)	Wood Use (Tonnes)	University %	Atlantic Veterinary College %	District Heat %	Losses %
Apr.88 Mar.89	45,921	2,524,297	10,556	27.7	39..2	28.7	4.4
Apr.89 Mar.90	51,654	3,128,748	9,129	34.1	24.3	33.2	8.4

During the year an assessment of the system peak load and the boiler capacity at UPEI was carried out. It was determined that because of poor performance the two oldest boilers should be replaced in the near future. There were 6782 MWhrs of energy savings identified from the conversion of the University system to hot water district heating worth $98,037.

4.4 WEST PRINCE PROJECT

This project consists of six wood fired boilers in Prince County. Two of the installations supply hospitals and the rest are located beside large schools. Wood fuel is supplied from the sawmill at St. Chrysostome. The performance of the units during the year remains disappointing although the reliability of operation was improved over the previous year. The boiler heat production and efficiencies of the systems are lower than anticipated. Part of the reason is felt to be due to the use of sawdust in the fuel which leads to fouling of the boiler tubes and increased stack losses. Also control problems have led to the backup oil boilers taking more of the load at certain high demand times such as in the early morning. Both problems are being addressed for next year with woodchip fuel being used instead of sawmill residue and new system controllers have been installed. Consumption of wood fuel is detailed in Table 3.

TABLE 3
MAJOR SITES USING WOOD CHIP FUEL

Location	Wood boiler size (KW)	Annual Wood Fuel Use (tonnes)	Oil (liters) Displacement	Years of Operation
West				
Wedgewood Manor	400	735	147,000	5
West Prince Project				
M.E.Callaghan	450	401	80,220	2
Hernewood	450	363	72,600	2
Westisle	800	282	56,400	2
O'Leary Elementary School & Hospital	450	376	75,200	2
Three Oaks High School	800	403	80,600	2
Western Hospital	450	1048	209,600	2
		3608	721,600	
Central				
Sleepy Hollow Correctional Centre	400	282	56,400	5
Beach Grove Home	700	208	41,600	4
UPEI/DH	3,800	9129	1,825,800	3
Prince Edward Home District Heating	2,000	3750	750,000	5
		13369	2,673,800	
East *				
Souris Hospital	450	500	100,000	2
Morell High School	300	300	60,000	3
Montague Sr./ Jr. High School	700	600	120,000	4
Kings County Memorial Hospital	900	1800	360,000	8
Souris Senior High School	500	500	100,000	4
		3,700	740,000	
Provincial Total		20,677	4,135,400	

* Estimates

OTHER PROJECTS

4.5.1 ATLANTIC WIND TEST SITE

In November, the Federal Department of Energy Mines and Resources asked if the Corporation would be willing to take over the management of the Atlantic Wind Test Site at North Cape. This Federal Government wind laboratory was built in 1981 and operated by the Institute of Man and Resources. The site currently has a 40 KW Enertech wind turbine owned by the Corporation in addition to an Indal 500 KW machine and a 100 KW wind diesel system owned by the Federal Government. The site carries out contract research for both the Federal Government and wind turbine manufacturers. The Board decided to consider the request with the conditions that the Federal Government provide adequate funding so that worthwhile research could be carried out at the site. A $16,000 contract was awarded by EM&R to Beaton Fitzpatrick, the Corporation's auditors, to develop a business plan for the site.

4.5.2 PAPERS, PRESENTATIONS AND TRAINING

During the year presentations were made to a seminar in Ottawa sponsored by Atomic Energy of Canada on district heating.
In October, Don Coles, UPEI's Physical Plant Manager and Rob Brandon presented a paper to the New England Section of the Association of University Plant Managers on the UPEI project. Also during October, Frank Moran and David Mabon, members of the Corporation's Board took part in a tour of wood energy projects in New Brunswick and New England. In November, Dr. John te Raa attended the 1st International Power Plant Exhibition in Chicago. Two major reports were completed for the International Energy Agency funded by the IEA and Energy Mines and Resources. One is a manual for engineers and building owners, detailing how North American building systems can be connected to European district heating systems. Most of the research was subcontracted to St. Paul's District Energy of St. Pauls, Minnesota. The other manual was a survey of telecommunications and telemetry technologies that could be used for district heating. This work was subcontracted to Bell Northern Research in Ottawa. Both reports were being printed at the end of the year. In order to ensure that in any expansion of district heating the majority of the engineering work could be done by local consultants, a training plan was introduced by the Corporation in association with the National Research Council. Three young engineers, Lloyd Cudmore of CBCL, Robert Doyle of Coles Associates and David Godkin of AFE Inc. spent three months each at the head offices of AF-Energikonsult in Sweden. The cost was split between the consulting firm, NRC and the Corporation. In parallel

with this program for engineers, NRC sponsored a tour of Denmark and Sweden for mechanical contractors interested in learning techniques associated with the installation of district heat systems. The Corporation's technician, John Davey, participated in this ten day tour which included a formal one week course at the headquarters of IC Moller, the pipe supplier to the Corporation's projects.

4.5.3 WOOD FUEL SUPPLY

The Corporation acts as a wood fuel broker to a variety of provincially owned facilities. Wood fuel used by major sites is listed in Table 3. During the year material was purchased from Bulk Carriers Ltd., Larsens Sawmill, Arsenault's Sawmill and Georgetown Timber. Problems were experienced with the contract with Bulk Carriers which has resulted in an arbitration process to resolve a number of issues. Under the Wood Supply System Program of the Cooperation Agreement on Alternate Energy Development and Energy Efficiency, the Department of Energy and Forestry in cooperation with the Corporation carried out integrated felling, chipping and transportation demonstration. This project was started to both secure wood for the late winter period and also to obtain data on a large scale wood chipping operation. Local contractors were used to haul the wood chip fuel to the storage facility at Hillsborough. During a four week period 6,500 tonnes were produced at an average production rate of 31.6 tonnes/hour. All sites were chosen by the Forestry Branch for reforestation using superior quality seedlings from the Provincial tree nursery. The exercise was documented and resulted in useful data on the large scale production of wood fuel during difficult spring conditions. During the year the wood fuel was used at the major, provincially owned sites served by the Corporation.

4.6 SPECIAL PROJECTS

The Corporation spent $585,402 on projects relating to Forestry Operations on Crown Lands. There were 181 people employed in thinning and clearing activities. Of the budget, $439,860 was spent in wages. The project was managed by the Department of Energy and Forestry on behalf of the Corporation and funds were accounted for under the Provincial Financial Information System.

5.0 PROJECTS UNDER DEVELOPMENT

5.1 CHARLOTTETOWN DISTRICT HEATING SYSTEM

Government announced in the Throne Speech that it intended to

continue to pursue the option of Island power generation in the Charlottetown Cogeneration Project. A request for expressions of interest was placed in appropriate journals and in the Globe & Mail following the announcement. The project described is a 29 MWe power plant using wood and oil as fuel. The power plant will serve an expanded district heating system. In support of this initiative a number of studies were started.These included a full review of the Charlottetown heat load in order to assess the viability of the district heating option. Also a collaborative effort was started by the Corporation involving the City, the Charlottetown Water Commission, the Public Utilities Commission, Maritime Electric and Island Telephone to review the potential of an integrated Geographic Information System for underground facilities. The Corporation retained Mr. Bartelink of Frontier Energy Consultants to assist staff in the preparation of the turnkey plant request for proposals. Mr. Bartelink had assisted the Corporation in the design of the steam turbine installed at the EFW Plant.

6.0 FINANCIAL STATEMENT

The financial statement prepared by our duly appointed auditors follows.

AUDITORS' REPORT

To the Directors of
Prince Edward Island Energy Corporation

We have examined the balance sheet of Prince Edward Island Energy Corporation as at March 31, 1990 and the statements of income and surplus - operating and capital projects and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at March 31, 1990 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Boston Fitzpatrick

Chartered Accountants
Charlottetown, P.E.I.
May 24, 1990

PRINCE EDWARD ISLAND ENERGY CORPORATION
BALANCE SHEET

ASSETS	March 31 1990	March 31 1989
CURRENT ASSETS		
Cash	$	$ 10
Term deposits	4,534	4,110
Accounts receivable	1,078,804	407,127
Holdbacks receivable	9,942	293,599
Inventories (note 1)	386,670	138,883
Projects under development	7,454,205	6,491,559
	8,934,155	7,335,288
PROPERTY, PLANT AND EQUIPMENT (note 2)		
Fixed assets	12,341,948	12,341,948
Accumulated depreciation	474,228	303,732
	11,867,720	12,038,216
	$20,801,875	$19,373,504
LIABILITIES AND SURPLUS		
CURRENT LIABILITIES		
Bank indebtedness (note 3)	$ 3,595,093	$ 2,683,183
Promissory notes - Province of Prince Edward Island	3,617,000	2,850,000
Accounts payable and accrued liabilities	1,603,939	1,119,728
Deferred revenue - debt retirement grant	49,903	49,903
Deferred revenue - projects under development	3,401,170	2,899,212
Deferred revenue - other		5,720
Principal due within one year on long-term debt	111,538	101,226
	12,378,643	9,708,972
LONG-TERM DEBT (note 4)	6,562,076	6,673,614
SURPLUS		
Surplus - operating	285,715	309,249
Deficit - capital projects	3,917,930	2,874,535
Capital - (note 5)	5,493,371	5,556,204
	1,861,156	2,990,918
	$20,801,875	$19,373,504

APPROVED BY THE BOARD:

Director

Director

Contingency (note 6)

PRINCE EDWARD ISLAND ENERGY CORPORATION
STATEMENT OF INCOME AND SURPLUS - OPERATING

Year ended	March 31	
	1990	1989
Revenues		
Grants - Province of Prince Edward Island	$431,622	$441,180
Sale of wood	536,949	489,379
Other	19,827	
	988,398	930,559
Expenses		
Projects	30,998	65,165
Wood and wood administration	570,462	503,511
Bad debts - wood supply	8,232	
Administration		
Audit	5,500	4,750
Consulting and legal	134,768	124,746
Directors' honorarium	15,544	13,072
Materials and supplies	2,629	1,952
Miscellaneous	10,155	11,277
Office equipment	1,238	855
Office supplies	2,807	2,028
Telephone	6,861	8,210
Travel	18,064	17,147
Wages and levies	204,674	191,978
	1,011,932	944,691
NET LOSS	23,534	14,132
Surplus at beginning of year	309,249	323,381
SURPLUS AT END OF YEAR	$285,715	$309,249

PRINCE EDWARD ISLAND ENERGY CORPORATION
STATEMENT OF INCOME AND DEFICIT - CAPITAL PROJECTS

Year ended	March 31 1990	1989
Revenues		
Sale of steam	$1,345,953	$1,133,464
Tippage fees	832,000	800,000
Energy savings	119,770	96,673
Interest and other	3,090	2,345
Province of P.E.I. - debt retirement grant	135,700	135,700
- operational grant West Prince	122,046	80,000
	2,558,559	2,248,182
Expenses		
Bad debts	343	699
Depreciation	170,496	143,476
Fuel	528,313	416,573
Insurance		3,996
Interest	1,520,472	1,315,930
Major maintenance	179,130	231,155
Management	83,700	78,528
Maintenance	60,848	44,700
Operations	1,029,231	889,891
Property taxes	112,249	94,756
	3,684,782	3,219,704
	1,126,223	971,522
Other - amortization of capital grant	62,833	51,602
- reallocated to uncompleted projects	19,995	80,690
	82,828	132,292
NET LOSS	1,043,395	839,230
Deficit at beginning of year	2,874,535	2,035,305
DEFICIT AT END OF YEAR	$3,917,930	$2,874,535

PRINCE EDWARD ISLAND ENERGY CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended	March31 1990	1989
CASH PROVIDED BY (USEDFOR):		
OPERATIONS		
Net income (loss) - operating	$(23,534)	$(14,132)
- capital projects	(1,043,395)	(839,230)
Items which do not involve cash		
Depreciation	170,496	143,476
Amortization of capital grant	(62,833)	(51,602)
Change in non cash operating working capital	22,251	95,431
	(937,015)	(666,057)
FINANCING		
Change in non cash financing working capital	(173,847)	318,533
Issuance of promissory note	767,000	1,850,000
Issuance of long-term debt		161,800
Reduction of long-term debt	(101,226)	(83,213)
Increase in capital grants		155,181
Increase in deferred revenue projects under development	496,238	705,719
Capitalization of deferred revenue projects under development		(155,181)
	988,165	2,952,839
INVESTMENTS		
Additions to projects under development	(962,646)	(1,847,940)
Capitalization of projects under development		316,965
Additions to property, plant and equipment		(319,218)
	(962,646)	(1,850,193)
INCREASE (DECREASE) IN CASH POSITION	(911,496)	436,589
Cash position at beginning of year	(2,679,063)	(3,115,652)
CASH POSITION AT END OF YEAR	$(3,590,559)	$(2,679,063)
Represented by		
Cash	$	$ 10
Term deposits	4,534	4,110
Bank indebtedness	(3,595,093)	(2,683,183)
	$(3,590,559)	$(2,679,063)

PRINCE EDWARD ISLAND ENERGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1990

GENERAL

The corporation is a Crown corporation established by the Energy Corporation Act and its principal activities are to develop and promote energy systems.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories

Inventories of maintenance supplies, construction materials and woodchips are valued at cost.

Projects under development

The net surplus or deficit from incidental revenue earned during the project construction phase is capitalized as part of the cost of the project.

Property, plant and equipment

Minor fixed assets are retired out of operating grants and revenues and expensed in the statement of income and surplus - operating, in the period of acquisition.

Major fixed assets remaining the property of the Prince Edward Island Energy Corporation are transferred to the fixed asset accounts from projects under development when such projects are complete.

Depreciation has been provided on fixed assets in accordance with principal payments on long-term debt.

It is the corporation's policy to expense replacement assets for the Energy from Waste Plant in the year of acquisition.

Interest capitalization

Interest incurred to finance the construction of major projects is capitalized to the various projects.

1. INVENTORIES	1990	1989
Maintenance supplies	$8,398	$8,985
Construction materials	98,178	129,898
Woodchips	280,094	
	$386,670	$138,883

2. PROPERTY, PLANT AND EQUIPMENT

	1990			1989
	Cost	Accumulated depreciation	Net	Net
Waste burning plant	$10,386,407	$23,362	$10,363,045	$10,381,261
District heating	1,955,541	450,866	1,504,675	1,656,955
	$12,341,948	$474,228	$11,867,720	$12,038,216

3. BANK INDEBTEDNESS

Bank indebtedness is secured by a guarantee from the Province of Prince Edward Island to a maximum of $4,200,000.

During the year ended March 31,1990, interest costs incurred on the operating loan totalled $368,125. (1989-$293,064.) This interest has been accounted for as follows:

	1990	1989
Capitalized to uncompleted projects through reallocation of revenues and expenses		
West Prince	$	$ 13,366
U.P.E.I.		13,912
Expensed on Energy from Waste operations	368,125	265,786
	$368,125	$293,064

4. LONG-TERM DEBT	1990	1989
12% debenture, payable interest only to 1993 with equal principal and interest installments commencing in 1993 to amortize the balance over a ten year period	$5,500,000	$5,500,000

10 1/4% debenture, payable in principal and interest installments commencing in 1987 to amortize the balance over a ten year period	655,293	717,463
9 3/4% debenture, payable in principal and interest installments commencing in 1988 to amortize the balance over a ten year period	366,139	395,577
11 1/8% debenture, payable in principal and interest installments commencing in 1989 to amortize the balance over a ten year period	152,182	161,800
	6,673,614	6,774,840
Principal included in current liabilities	111,538	101,226
	$6,562,076	$6,673,614

Principal due within each of the next five years is approximately as follows:

1991-	$111,538	1994-	149,229
1992-	122,903	1995-	714,440
1993-	135,428		

5. CAPITAL SURPLUS

The corporation has adopted the policy of capitalizing those funds received in financial support of the capital cost of fixed assets. The surplus is being amortized to income on the same method that depreciation is provided on the related assets.

	1990	1989
Balance at beginning of year	$5,556,204	$5,452,625
Funds capitalized		155,181
	5,556,204	5,607,806
Amortization	62,833	51,602
BALANCE AT END OF YEAR	$5,493,371	$5,556,204

6. CONTINGENCY

The corporation is in arbitration with a wood biomass supplier. Management is of the opinion that no liability will result from this arbitration.

AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Prince Edward Island Energy Corporation
Charlottetown, Prince Edward Island

The audited financial statements of the corporation and our report thereon are presented in the preceding section of this report. The following information is presented for purposes of additional analysis and is not required for a fair presentation of the financial position or results of operations of the corporation. Such information has been subjected to the audit procedures applied in our examination of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Beaton Fitzpatrick

Chartered Accountants

Charlottetown, P.E.I.
May 24, 1990

PRINCE EDWARD ISLAND ENERGY CORPORATION

SCHEDULE OF PROJECT COSTS

	Year ended March 31	
	1990	1989
Renewable Energy Initiatives	$25,293	$63,260
Other	5,705	1,905
	$30,998	$65,165

PRINCE EDWARD ISLAND ENERGY CORPORATION

SCHEDULE OF INCOME AND EXPENSES - CAPITAL PROJECTS

	Year ended March 31 1990				
	U.P.E.I.	Energy From Waste	District Heating	West Prince	Total
Revenues					
Sale of steam	$487,343	$ 599,223	$172,723	$86,664	$1,345,953
Tippage fees		832,000			832,000
Energy savings	119,770				119,770
Interest & other			3,090		3,090
Province of P.E.I.					
- Debt retirement grant			135,700		135,700
- Operational grant West Prince				122,046	122,046
	607,113	1,431,223	311,513	208,710	2,558,559
Expenses					
Bad debts			343		343
Depreciation		18,216	152,280		170,496
Fuel	314,194		119,275	94,844	528,313
Interest	272,709	1,046,770	106,433	94,560	1,520,472
Major maintenance		179,130			179,130
Management		83,700			83,700
Maintenance	26,950		1,337	32,561	60,848
Operations		1,029,231			1,029,231
Property taxes		112,249			112,249
	613,853	2,469,296	379,668	221,965	3,684,782
	(6,740)	(1,038,073)	(68,155)	(13,255)	(1,126,223)
Other					
Amortization of capital grant		8,713	54,120		62,833
Reallocated to uncompleted projects	6,740			13,255	19,995
Net loss	Nil	(1,029,360)	(14,035)	Nil	(1,043,395)
Deficit at beginning of year		2,844,069	30,466		2,874,535
DEFICIT AT END OF YEAR	$ Nil	$3,873,429	$ 44,501	$ Nil	$3,917,930